

November 21, 2017
Andrew Martin
Michigan State Housing Development Authority
P.O. Box 30044
Lansing, Michigan 48909

Re: Michigan Draft 2019-2020 Qualified Allocation Plan

Dear Mr. Martin:

These comments are submitted by the National Housing Trust (NHT) and the Natural Resources Defense Council (NRDC). NHT, NRDC, and other local Michigan partners launched the “Energy Efficiency for All” initiative in 2013. Our goal is to scale up energy efficiency investment in affordable multifamily housing.

We are committed to this work because energy efficiency is a cost-effective way to maintain affordable housing and provide healthier, more comfortable homes for residents. We know that MSHDA shares this goal, and we appreciate the significant steps MSHDA has taken to improve the energy efficiency, water efficiency, and health of affordable housing in Michigan.

As you continue to draft the 2019-2020 QAP, we recommend maintaining incentives for properties to meet third-party green building standards. In addition, we encourage MSHDA to consider including additional measures to increase investments in energy and water efficiency that will help ensure the long-term financial stability of MSHDA’s housing investments. Specifically, we encourage the following:

1. Maintain incentives for properties that meet third-party green building standards. We acknowledge that MSHDA, like many state Housing Finance Agencies, justifiably wants to minimize development costs associated with Housing Credits. Several studies have shown, however, that the upfront costs associated with achieving third-party building certification are minimal and offset by long-term savings. Research by Enterprise Community Partners has shown that implementing Enterprise Green Communities criteria adds 1.85% to the total development costs for the project, and projected lifetime utility savings are sufficient to repay the average per-unit cost of meeting this criteria.¹ In addition, a report prepared by the Virginia Center for Housing Research at Virginia Tech comparing the cost of green and non-green Housing Credit properties showed that the average cost to build green was lower than non-green buildings, and the total cost was not significantly different.²

It is also important to consider the substantial benefits these investments can create for residents. Virginia Center for Housing Research’s report analyzed utility usage for 24 Housing Credit properties built to EarthCraft standards over three years, and found that the properties maintain performance over time, and annual resident energy savings grew by 12%.³

¹ Enterprise Green Communities. *Incremental Costs, Measurable Savings Update*. 2012. Retrieved from: <http://www.enterprisecommunity.org/download?fid=2337&nid=14174>

² Sustaining Energy Efficiency: Longitudinal Evidence of Virginia’s Low-Income Housing Tax Credit Properties,” prepared by the Virginia Center for Housing Research at Virginia Tech for Housing Virginia in August 2017.

³ Ibid.

NHT and NRDC have had the opportunity to review the Community Economic Development Association of Michigan's (CEDAM) comments regarding MSHDA's 2019-2020 QAP. While the cost premium for green building is low, we support CEDAM's recommendation that no negative points be issued through the "Cost Reasonableness Scoring" criteria for properties that incorporate energy and water efficiency measures that may cost more upfront, but save money over the lifetime of the property.

2. Consider requirements or incentives for benchmarking the energy and water use of the property for the life of the applicable tax credits. Energy is the highest variable operating cost in affordable housing, materially affecting both owners and residents. What's more, water and wastewater charges have been increasing at well above the Consumer Price Index (CPI) for many years.⁴ Benchmarking the energy and water performance of buildings for the life of the applicable tax credits will help owners and MSHDA to track investments to see if measures have realized their expected savings and have contributed to long-term operating cost savings.

Several states have taken a leadership role in promoting benchmarking for LIHTC properties, including the Illinois Housing Development Authority, New York City Department of Housing Preservation & Development, and the Virginia Housing Development Authority.⁵

3. MSHDA should continue collaborating with the utilities and program administrators operating in the state. We strongly encourage MSHDA to maintain regular collaboration with utility companies in the state to help affordable owners access energy efficiency programs and incentives, and to ensure programs are accessible to MSHDA-sponsored properties.

State Housing Finance Agencies are well-positioned to help utilities' efficiency program administrators improve how their programs reach affordable housing, and help owners identify opportunities to reduce the upfront costs for energy efficiency investments through utility rebates and incentives. The Pennsylvania Housing Finance Agency, Minnesota Housing and the Connecticut Housing Finance Agency require developments seeking tax credits to submit an Energy Rebate Analysis with their application, detailing a list of utility-sponsored, local, regional, or federal energy efficiency incentives for which the property is eligible to be included in the financing package.

4. Require ENERGY STAR-labeled clothes washers in common-area laundry rooms. We support the requirement in MSHDA's Green Policy that appliances, including clothes washers, be ENERGY STAR labeled. However, MSHDA should clarify that this requirement applies to both in-unit clothes washers and clothes washers in common-area laundry rooms. Clothes washing is responsible for roughly 20% of all indoor residential water use and a new ENERGY STAR washer can cut water use in half compared to the most common types of washers in use today.

The National Housing Trust and Natural Resources Defense Council appreciate the opportunity to comment on the Michigan State Housing Development Authority's 2019-2020 draft Qualified Allocation

⁴ American Water Works Association (AWWA) & Raftelis Financial Consultants, Inc., *2014 Water and Wastewater Rate Survey*, AWWA, 2015. pp. 15-17.

⁵ Energy Efficiency for All. *State Strategies to Increase Energy and Water Efficiency in Low Income Housing Tax Credit Properties*, 2017. Retrieved from: <http://energyefficiencyforall.org/sites/default/files/Energy%20Efficiency%20Strategies%20in%20LIHTC%20properties.pdf>

Plan. We commend MSHDA for its continued support of energy efficiency, and look forward to continuing to work with MSHDA on the Energy Efficiency for All Initiative.

Sincerely,

A handwritten signature in black ink that reads "Annika Brink". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Annika Brink
National Housing Trust

A handwritten signature in black ink that reads "Laura Goldberg". The signature is cursive and elegant, with a prominent loop at the end of the last name.

Laura Goldberg
Natural Resource Defense Council